

Message Text

LIMITED OFFICIAL USE

PAGE 01 TEHRAN 07373 201318Z

53

ACTION NEA-10

INFO OCT-01 ISO-00 EB-07 COME-00 CIAE-00 INR-07 NSAE-00

FTC-01 TRSE-00 /026 W

----- 075193

R 201230Z JUL 76

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 8200

LIMITED OFFICIAL USE TEHRAN 7373

E.O. 11652: NA

TAGS: OTRA, IR

SUBJ: VISIT OF PROCTOR AND GAMBLE OFFICIALS

REF: STATE 176802

1. FOLLOWING RECEIPT OF REFTEL, E/C COUNSELOR SPOKE WITH MR. RONALD PEARCE, MANAGER OF PROCTOR AND GAMBLE'S LOCAL JOINT VENTURE(PARS INTERNATIONAL MANUFACTURING COMPANY, LTD.- 50 PERCENT OWNED BY P&G AND 50 PERCENT BY TWO IRANIAN FAMILIES). MR. PEARCE SAID THAT BECAUSE OF DISSATISFACTION ON THE PART OF THE IRANIAN PARTNERS WITH THE TECHNICAL ASSISTANCE AGREEMENT BETWEEN THE TWO PARTIES, THE LATTER ARE PREPARED TO SELL THEIR HALF OF THE BUSINESS TO P&G. THEREAFTER, P&G WOULD BEGIN TO DIVEST ITSELF OVER TIME OF 49 PERCENT OF THE EQUITY PURSUANT TO THE SHARE PARTICIPATION STATUTE. IN THE END, P&G WOULD RETAIN 49 PERCENT, 49 PERCENT WOULD BE INDIVIDUALLY HELD(WORKERS ET AL) AND 2 PERCENT WOULD BE HELD BY IRANIAN BUSINESSMEN IF THIS WERE NECESSARY TO GET UNDER THE 50 PERCENT CEILING. PARENTHETICALLY, WE WOULD OBSERVE THAT IT IS HIGHLY QUESTIONABLE WHETHER GOI WOULD APPROVE TOTAL DIVESTITURE TO FOREIGN PARTNER BY IRANIAN SHAREHOLDERS. A VERY REAL PROBLEM WOULD STILL REMAIN, HOWEVER, IN THAT P&G WOULD STILL BE FACED WITH THE GOI POLICY REQUIREMENT THAT JOINT VENTURES WILL HAVE NO MORE THAN 25 PERCENT FOREIGN EQUITY PARTICIPATION,. EXCEPT IN UNNAMED CASES OF "HIGH TECHNOLOGY" WHERE 35

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 TEHRAN 07373 201318Z

PERCENT CAN BE ALLOWED. WHILE MR. PEARCE CORRECTLY POINTS

OUT THAT THIS LATTER REQUIREMENT IS ONLY GOW POLICY, AS OPPOSED TO STATUTE AS IN CASE OF SHARE PARTICIPATION LAW, WE WOULD POINT OUT NONETHELESS THAT GOI CERTAINLY COULD INSIST, IF IT WISHED, THAT APPLICABLE EQUITY CEILING BE ADHERED TO IN ANY GIVEN CASE. ABOUT ALL THAT CAN BE SAID ON MATTER OF FOREIGN EQUITY CEILINGS BEYOND THIS IS THAT THERE IS GREATER SCOPE FOR NEGOTIATION BETWEEN FOREIGN INVESTOR AND GOVERNMENT THAN IN CASE OF SHARE PARTICIPATION LAW. EVIDENTLY, P&G FINDS PROSPECTS OF REDUCING ITS EQUITY TO 25 PERCENT UNATTRACTIVE AND THIS HAS BEEN MAJOR STUMBLING BLOCK TO P&G'S CONTEMPLATED \$30-40 MILLION EXPANSION.

2. PEARCE TELLS US THAT HE ASSUMES ABOVE OPTION-I.E., GOING TO 49 PERCENT AND HOLDING THERE-WILL BE THE THRUST OF FLETCHER'S LETTER TO BREWIN. EVIDENTLY, THIS IDEA WAS DEVELOPED BY P&G IN JUNE OF THIS YEAR AND HAS NOT YET BEEN PRESENTED AT ANY LEVEL WITHIN GOI.

3. GOI MINISTRY OF INDUSTRIES AND MINES IS THE MINISTRY RESPONSIBLE FOR IMPLEMENTATION OF FOREIGN EQUITY CEILING POLICY. ACCORDING TO MINISTRY'S UNDERSECRETARY HAMID HABIB-AGAH, JOINT VENTURES IN IRAN HAVE UNTIL OCTOBER 1978 TO BRING THEMSELVES WITHIN PERMITTED CEILINGS. IT SHOULD BE POINTED OUT, HOWEVER, THAT HABIB-AGAH WOULD NOT REPEAT NOT HAVE THE LAST WORD IN ANY NEGOTIATION SITUATION IN WHICH GOI VERY MUCH WANTED GIVEN FOREIGN PRODUCT AND/OR TECHNOLOGY. FOR EXAMPLE, EMBASSY UNDERSTANDS THAT GENERAL MOTORS(IRAN) HAS RECEIVED WRITTEN ASSURANCE AS A RESULT OF BEHIND-THE-SCENES EFFORTS OF JAFAR SHARIF-EMAMI THAT GENERAL MOTORS OF US COULD RETAIN 40 PERCENT IN ITS VENTURE FOR PERIOD UP TO 10 YEARS FROM THE INAUGURATION OF THE EXPANDED PRODUCTION FACILITIES. ARRANGEMENT REPORTEDLY APPROVED BY SHAH. WE WOULD POINT OUT, HOWEVER, THAT ISSUE HERE IS POSSIBLE \$350 MILLION INVESTMENT BY GENERAL MOTORS IN BASIC AUTOMOTIVE MANUFACTURING FACILITIES WHICH GOI EAGER TO HAVE. WE DOUBT THAT P&G EXPANSION PROGRAM WOULD BE QUITE SO ATTRACTIVE TO GOI. ON THE OTHER HAND, WE KNOW OF TWO U.S. FIRMS SEEKING 50 PERCENT IN PROPOSED NEW JOINT VENTURES WHO LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 TEHRAN 07373 201318Z

HAVE BEEN INFORMED ORALLY BY DEPUTY MINISTER OF INDUSTRIES AND MINES THAT 50 PERCENT WOULD NOT REPEAT NOT BE APPROVED. HOWEVER, FIRMS' LOCAL U.S. LAWYER BELIEVES THAT THERE STILL MAY BE HOPE SINCE NEGATIVE REACTION GIVEN ORALLY 5 MONTHS AGO HAS NOT BEEN PUT IN WRITING. IN ANY CASE, WE PERCEIVE P&G'S PROBLEM NOW AS BASICALLY ONE OF NEGOTIATION WITH THE GOI.

4. WE WILL AWAIT MR. FLETCHER'S LETTER TO BREWIN, BUT WOULD SUGGEST THAT P&G OFFICIALS CONSIDER MEETING WITH MINISTER OF INDUSTRIES AND MINES FARROKH NAJMABADI ON THE MATTER. WHILE ANSARY PROBABLY WOULD HAVE A SAY IN THE FINAL OUTCOME, WE DOUBT THAT HIS RESPONSE TO P&G PROPOSAL WOULD BE ANYTHING MORE THAN NONCOMMITTAL AT THIS TIME. WE WILL, HOWEVER, RESERVE OUR FINAL RECOMMENDATIONS ON THIS POINT UNTIL WE HAVE STUDIED MR. FLETCHER'S LETTER.

5. DEPARTMENT MAY IN ITS DISCRETION PASS FOREGOING TO MR. FLETCHER. PLEASE ALSO TELL HIM THAT EMBASSY WILL LEND EVERY APPROPRIATE ASSISTANCE TO ASSURE THAT P&G OFFICIALS HAVE A USEFUL STAY IN TEHRAN.

6. FOLLOWING RECEIPT OF MR. FLETCHER'S LETTER, EMBASSY WILL COMMUNICATE WITH DEPARTMENT AGAIN.
HELMS

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 20 JUL 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: SmithRJ
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976TEHRAN07373
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760278-1178
From: TEHRAN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760739/aaaabier.tel
Line Count: 133
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 STATE 176802
Review Action: RELEASED, APPROVED
Review Authority: SmithRJ
Review Comment: n/a
Review Content Flags:
Review Date: 08 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08 JUN 2004 by greeneet>; APPROVED <08 OCT 2004 by SmithRJ>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: VISIT OF PROCTOR AND GAMBLE OFFICIALS
TAGS: OTRA, IR
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006